



SUMMARY

A Review of the South Carolina Workforce Investment Act Program



BACKGROUND

INTRODUCTION

Members of the General Assembly asked that we review the Workforce Investment Act program. Through this program, established and funded by the federal government, South Carolinians receive job training and other employment-related services.

In this audit, we addressed the cost of the program performance measures, organizational structure, and the degree to which the state exercises oversight.

The Workforce Investment Act (WIA) program in South Carolina is operated by the Office of the Governor, the state workforce investment board, the Department of Employment and Workforce (DEW), and local workforce investment boards throughout the state.

During most of our review, the Department of Commerce was the lead WIA agency in South Carolina. Since June 2010, the newly-created Department of Employment and Workforce has been the lead WIA agency. The department also administers unemployment benefits, which were formerly administered by the Employment Security Commission.

Under the WIA program, South Carolina provides services to the following unemployed and underemployed workers.

- **ADULTS**
- **“DISLOCATED WORKERS”**
Adults who have lost their jobs due to specific economic conditions, such as the permanent closure of a work facility or a profession that is no longer needed in the economy.
- **YOUTH**
Mostly low-income individuals, ages 14–21.

Services offered to adults and dislocated workers include:

- Assessments of skills and abilities.
- Access to job search databases.
- Training in soft skills, such as interviewing, punctuality, communications, etc.
- Case management.
- Funding for occupational training, on-the-job training, and academic degrees.

Services offered to youth include:

- Tutoring leading to secondary school completion.
- Summer employment opportunities.
- Occupational skills training.
- Guidance and counseling.

In program years 2009-2010 and 2010-2011, South Carolina received a federal WIA allocation of \$118 million plus \$60 million in federal stimulus funds, for a total of \$178 million. This program does not receive a matching state appropriation.

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AUDIT FINDINGS

The Office of the Governor and the Department of Employment and Workforce have the authority to provide increased oversight of the training services provided by local workforce investment boards. With additional oversight, the WIA system could operate more consistently across the state and better ensure that participants are receiving needed services.

ORGANIZATIONAL STRUCTURE

South Carolina's WIA program has a decentralized organizational structure. This structure consists of the Office of the Governor, the state workforce investment board, the Department of Employment and Workforce, and 12 local workforce investment boards throughout the state. The local workforce investment boards operate a total of 60 one-stop career centers, through which clients may receive training and employment-related services.

It is unlikely that there is an ideal structure for WIA programs. The decentralized organizational structure of South Carolina's WIA program is similar to those in Michigan, New York, and California, which have large numbers of local workforce areas. Other states, including Utah, Wyoming, Vermont, and South Dakota, are organized into a single workforce area with strong state-level control.

The state has significant oversight authority regarding worker training programs which has not been fully exercised. Federal regulations authorize the state workforce investment board to set parameters on the allocation of training funds. Federal regulations also require that the Governor establish eligibility criteria and minimum levels of performance for training providers and that the lead state agency remove programs that do not meet minimum standards.

Since June 2010, the Department of Employment and Workforce, whose executive director is appointed by the Governor, has been the lead, statewide agency for the WIA program. The Governor and DEW oversee local workforce investment boards, which are responsible for selecting the operators for one-stop career centers. DEW, however, is also an operator of one-stop career centers in 8 of the 12 local workforce areas. Because the Governor and the Department of Employment and Workforce oversee the local workforce investment boards, the department could be viewed as having an advantage when local workforce investment boards select operators for one-stop career centers.

WORKER TRAINING

There is significant variation among WIA training programs across the state. For example:

- Although local workforce investment boards have often funded training in skills that are marketable, they have also funded training in skills that are less marketable. WIA funds have been allocated for non-vocational, academic programs, including bachelor's and master's degrees in biology, business, the arts, psychology, and history. Funds have also been allocated for pet grooming, photography, and cosmetology, areas not listed by the Department of Commerce as high-growth fields. Beginning in July 2010, DEW established financial incentives for local areas that target "high-growth or high-demand industries/occupations."
- Among WIA participants in calendar year 2009, the *average* allocation of training funds ranged from \$1,361 in the Lowcountry area to \$4,619 in Upper Savannah area. The *maximum* allocation per participant ranged from \$5,760 in the Waccamaw area to \$27,960 in the Lower Savannah area. In calendar year 2010, one participant was allocated \$40,000 to obtain a master's degree in business administration at the University of South Carolina.

- WIA staff report that the availability of training services has been communicated to individuals when they apply for unemployment benefits. It also has been communicated by other state agencies, local businesses, and colleges throughout the state. WIA provided documentation of advertising in several workforce areas via billboards, bus placards, newspapers, and radio. However, staff in two areas we contacted conducted no regular formal advertising.

PERFORMANCE MEASUREMENT

The current WIA annual report for South Carolina does not have cost per participant data, as do the reports in Florida, North Carolina, Kentucky, and Texas. With the assistance of South Carolina's WIA staff, we calculated cost per participant data for program years 2005-2006 through 2008-2009:

WIA COST PER PARTICIPANT				
	PY 05-06	PY 06-07	PY 07-08	PY 08-09
Adult*	\$1,086	\$2,092	\$1,758	\$1,396
Youth	\$3,090	\$3,258	\$3,633	\$3,522

*Cost per participant for Adult and Dislocated Worker participants are combined. These figures exclude administrative costs and self-service resources for adults.

Source: SC Department of Commerce.

South Carolina's WIA program also has not reported cost per outcome data, such as cost per job obtained, in its annual reports. Outcome measures are more complex and can be difficult to calculate. They often are based on the assumption that a program's outcomes are a direct result of the program's activities. Recognizing the limitations of the available data, we calculated estimates for several outcome-based efficiency measures to approximate the program's success. We calculated these measures over a four-year period to minimize the effects of lag time between when customers receive services and when they enter the workforce. Cost per program participant for this period is included for comparison:

COST ESTIMATES FOR COMBINED LOCAL WIA ADULT AND DISLOCATED WORKER PROGRAMS — PROGRAM YEARS 2005-2006 THROUGH 2008-2009		
	PROGRAM EXITERS	ENTERED EMPLOYMENT (WITHIN 6 MONTHS OF EXIT)
Participants	37,324	21,975
Cost Per Outcome	\$3,580	\$6,080

Source: LAC calculations from data reported to US DOL by the SC Department of Commerce.

In 2010, the federal Department of Labor published the results of a two-year study of WIA outcome measures, which South Carolina is reviewing for implementation.

Since June 2002, many WIA training providers in South Carolina have been granted repeated waivers from a federal requirement that they submit cost and performance information to the state. The resulting lack of performance information may compromise the ability of local WIA areas and participants to select the best training providers. The initial waiver request was submitted by the Governor for a one-year period "to give South Carolina sufficient time to meet the data collection requirements."

FOR MORE
INFORMATION

Our full report,
including comments from
relevant agencies,
is published on the Internet.
Copies can also be obtained by
contacting our office.

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SOUTH CAROLINA'S WORKFORCE INVESTMENT AREAS AND ONE-STOP CAREER CENTERS

